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## ROUND TABLE CONFERENCE ON THE RELATION BETWEEN ECONOMICS AND ETHICS

FRANK H. KNIGHT, *Chairman*

(Note. The reports are all condensed, some to a greater extent than others.)

*The Chairman.* It is hardly the province of the economic theorist or the proper task of this conference to attempt to settle the age-old questions of ethics, to discover the *Summum Bonum*, validate the concept of Duty, or formulate the end of human life. But from the standpoint merely of clearing up the fundamental conceptions of economics as a science and removing ancient sources of controversy and misdirected effort, there are at least two lines of argument which show the necessity for an economist to deal also with ethical problems.

The first is the relation between theory and practice, or between science and art, which in the case of economics presents unusual difficulties. It is doubtless quite generally true of every science that its study is motivated by both sorts of considerations, the quest of "truth for its own sake" and the desire to utilize truth in improving the conditions of life. The present age is characterized by the great emphasis which men place on the side of "results"—in the speaker's view a serious over-emphasis—but that is not the issue here. In any case few of us would insist on the absolute purity of the scientific interest, we should not sympathize with the mathematical enthusiast who concluded his demonstration of a new theorem in super-space by thanking God that no one could make any use of the result. But we do have to struggle against the Philistine attitude of the man in the street, who is inclined to value science in terms merely of immediate convertibility into cash. What we insist on is the practical significance of clear thinking and the necessity of pursuing truth without regard to specific applications if we are to realize the greatest practical results, in the long run.

In the natural sciences this principle is fairly well established in the minds of the public, or that part of it which thinks at all and exerts influence in affairs; and in addition, the division of labor between pure science and application has become an established tradition. In the social sciences this happy result not only has not been attained, but probably cannot be completely realized. The natural sciences do not have to justify their existence; even the relatively uneducated can see that they are directed toward results which are of general interest and about whose practical importance there is no possibility of disagreement. In our field neither of these facts is obvious to common sense. It is difficult to tell what lines of investigation are likely to be "fruitful," and there is no agreement, even among experts, as to the kind of changes it is desirable to have brought

about. Economists must constantly face this problem of objectives, in guiding their researches and in "selling" the results to the public, which, under democratic institutions, must accept and more or less understand them if they are to be fruitful in improving the conditions of life. The practical result of scientific research can be brought under the general designation of "increased efficiency." In physics and biology we know what we mean by "efficiency," because we agree as to what is desirable, but the notion of "social efficiency" raises all the problems of ethics. It is nonsense to discuss the subject (however generally it has been done) unless some definite notion of *standards* has been arrived at. Economists who pretend to eschew ethical problems, to confine themselves to "price economics," or contrast price economics and welfare economics, or pecuniary and social efficiency, have in general merely worked in terms of unformulated, unconscious ethical standards, and hence, in the literal sense, unintelligently.

In the second place, the concepts or quantities with which any economics, however rigorously scientific its viewpoint, must deal are closely bound up with values, in the ethical, philosophical sense. It is impossible to keep the idea of desire or preference, as a brute fact, free from critical implications as to what "ought" to be, unless the theorist has very clear ideas in both fields. Thus the relation between economics and ethics brings us into relation with a third science, psychology. (Perhaps the main issue in ethics is the question whether there is ultimately any meaning for "ought" other than the psychological *fact* of a desire or preference.) The speaker is as much as any one can be in favor of a "scientific economics," however true it is that, in Ruskin's familiar words, "there is no wealth but life,"—and this principle we also accept in its entirety—we must pursue truth for the love of truth and in the belief, or faith, that truth will make a difference to life. But that complete division of labor which we find in the natural sciences between one set of workers carrying on research and another set making the results of research effective simply cannot be realized in the social science field. What can be and must be done is to separate the ideas of truth and ethical significance in the mind of the worker who is interested in and understands both. We must know when we are stating facts and when we are passing judgment, and must make it unmistakably clear in our exposition which we are doing. Only through such an understanding and such a separation can economic theory come into its own.

A. B. WOLFE.—Economy has to do with the creation and utilization of opportunity. Economics therefore should be quite as much concerned with the economical consumption of wealth as with its just distribution or its efficient production. But economy in the use of wealth cannot be measured apart from the uses to which wealth is

put, and economy here must be defined not only as a nice adjustment of means to ends, but as such choice of ends as secures the highest attainable measure of welfare.

A non-ethical economics is an impossibility. The notion of a scientific economics divorced from ethical motivation or ethical postulates is a delusion, as could be shown by examination of the work of any of the various schools.

Economists have been chary of ethics because of their idea that ethics is not and cannot be objectively scientific. This idea is probably erroneous, for there is much indication that a scientific ethics as well as a scientific psychology is now in process of growth.

From the deterministic scientific point of view and that of behavioristic psychology, it is deducible that the individual, and not any group or institution, such for instance as the nation or "national survival," is the end. It makes little difference whether we make "happiness" or "self-expression" the measure of the individual as end.

In either case an essential problem in economy is to get to each individual opportunity in proportion to his potential capacities. Economists should take stock of the available scientific knowledge, therefore, with regard to the distribution of capacity, because economy demands that opportunity be apportioned where it will do the most good, proximately in "service," ultimately in self-expression or happiness.

Both the legalistic, vested-interest criterion and the dead-level democratic criterion of distribution of opportunity fail because they are based on unscientific preconceptions. From each according to his capacities and to each according to his capacities constitutes the final ethico-economic measure of efficient distribution. Distribution is in part essentially a question of the discovery, development, and utilization of human resources.

A really economical economics must be not only mechanistic but teleological. Human life is a matter of means and ends or purposes. It is teleological as well as mechanical, and it is a misconception of scientific method to suppose that we can ignore the teleological aspect of our subject. The mechanistic analysis of the detail and machinery of business and price economics is relatively superficial and futile without an equally painstaking and objective analysis of the ends which this machinery is supposed to serve.

The continued attempt to keep ethics and economics divorced, and the delusive claim that they are divorced, should cease. There should be at least a respectable number of economic theorists not afraid to grapple with fundamental problems.

H. GORDON HAYES.—As I see it, the economist has two functions: (1) to explain the process of that part of our society which we have defined as economic; (2) to appraise these processes from the point

of view of their fitness to serve us. There are those who would have the economist confine himself to the first of these two functions, leaving to some other expert the task of evaluating the economic processes. But desirable as specialization is, it has, obviously, limitations where synthesis is required. One might perform the first of these two functions of the economist without performing the second, but the second cannot be performed apart from the first. Economic processes can be appraised only by economists, that is, by persons who understand the economic processes. And the function of appraisal cannot be left unperformed. But economists, of course, as Davenport has warned, must always have definitely in mind which one of the functions is being performed at any one time.

What is the basis for the appraisal of economic processes? What is the test of economic right and wrong? One basis is that of the rights of individuals. To illustrate, John Stuart Mill says, "The foundation of the whole (the right of private property) is the right of producers to what they themselves have produced." J. B. Clark in his *Distribution of Wealth* assumes that an individual is of right entitled to as much as, but only as much as, he produces. The problem of justice in taxation has been stated almost entirely in terms of individual relationships.

This philosophy is unsound. Man is not primarily an individual who has entered into certain social relationships. He is primarily a social being. His rights and privileges as an individual grow out from the social center. The inversion of social and individual rights and privileges is well illustrated by the remark of Fichte that he would not tell a lie to save the universe from destruction, whereas, in fact, we distinguish between truth and falsehood because of the saving power of the one and the destructiveness of the other. Though we may be unconscious of it, our acceptance of individual rights comes from the social importance of such principles of conduct.

Hence the first question relative to economic justice must be, What kind of society do we want? Establish this and then we can approve or disapprove of particular features of the economic system. It follows from this that no part of our economic system can have ethical validity save as it contributes to the realization of what is, to us, a good society. Disagreement as to the marks of a good society may be expected. But it is only on the basis of an agreement as to what is desirable that we can make decisions as to economic right and wrong.

Accordingly, the clarification or alteration of our social ideals is of great moment. Rules of conduct both formal (legislative) and informal are thereby affected. Much of our economic life is determined by the market, and market valuations are indicative of social

standards or ideals. As Professor Cooley shows, we buy what it is socially well to buy. The market is not a thing apart—market values are but a reflex of social evaluations.

Clay makes much of the point that market price does not indicate the lines that it is best for production to follow. That all market values are not ethically valid is patent. But this is not an indictment of the ideals that prevail among us. If Milton got only from \$50 to \$100 for *Paradise Lost*—a point made by Clay—this sum was expressive of the esteem for the poem as compared with other things at that time. At some other time a man might have been put to death for having written such a poem, and at still some other time he might have been rewarded handsomely therefor regardless of the kind of economic society that prevailed.

Clay misses the point by insisting that inequality of income makes market valuation an unsafe indicator socially for production to follow. "Competition must be not merely free but equal," he says, in order to offer such a guide. But however glaring may be the impropriety in certain cases of rich men outbidding the poor, we certainly cannot say that it is inadvisable to serve the wants of certain persons more fully than we serve the wants of other persons and at the same time defend inequality in income. The logical error comes in not keeping these two things together. It is apparently easy to admit that A must be paid \$5000 and B \$2500 in order to properly place them in the economic society, and at the same time easy to deny that A should be allowed to outbid B in the market. The service to A in such a case, as Professor Taylor puts it, is twice as important socially as the service to B if such service to them is necessary to evoke their respective services. Inequality in money income but not inequality in real income is ridiculous.

The unwise spending that is complained of does not come from the fact that incomes are unequal, though, to be sure, the larger one's income is the more opportunity he has to spend improperly. The poor as well as the rich are guilty of spending unwisely. And both are amenable to the social ideals that prevail. It is through their alteration and clarification that market valuations can be improved.

By way of illustration, are we not witnessing just such an alteration in the ideals that govern the labor market? While there is still much to hope for, the past few years have marked a great advance. Certain practices are no longer tolerable to a great and growing body of employers. This suggests possibilities in many divisions of the market.

G. A. KLEENE.—It is an ethical question we have to consider, namely, the duty of the economist. This I take to be the cultivation of a descriptive science, free from moral appraisals. The economist

should be ethical, but not his science. He performs his duty and coöperates in the collective life by contributing something necessary and something which others could not supply so well—positive scientific knowledge of economic phenomena. It seems unlikely that there can be an extensive development of a higher or “ethical” or “welfare economics” that is really economics. Some of the exponents of “welfare economics” (Hobson, Clay) have done valuable critical work in demonstrating that “price economics” does not cover all matters of importance, for instance, in pointing out “costs” of great significance to human welfare, which fail to get their due in the market place. The constructive efforts of “welfare economics,” however, lie mostly beyond the scope of economics, and so far as they are to take non-emotional, intellectualistic form, are more likely to employ the speculative methods of philosophy than the scientific, quantitative analysis of the economist. They had best be named “social philosophy.”

It would, of course, be wrong to counsel the economist against taking part in human affairs which have an ethical aspect. But on such occasions he should discriminate carefully in word and thought between ethical judgments and scientific analysis. A considerable danger of confusing ethics and economics, and of lapsing unconsciously into ethical appraisal, lies in unperceived implications and developments of the terminology of economics. They tend usually in the direction of capitalist apologetics. Economic terminology, being taken from ordinary speech, is not wholly free from the tendency of popular thought towards praise or blame. The term production, for instance, suggests something praiseworthy. After defining it as “increasing of utilities,” we try to guard against giving it our blessing by declaring that utilities are simply things desired, whether good or bad. So defined, our concept seems safe enough to serve as a criterion for classifying occupations. When, however, we speak of increasing production as in comparing the productivity of different factors or combinations, we are not comparing sums of utility but sums of exchange value. We have no warrant for assuming that exchange values are proportionate to their utility. They have back of them utility to different persons, and utilities to different persons cannot be subjected to a common measure and be added together and compared. The logical thing is to go back and change our definition of production to “increasing of exchange values.” Some writers, however, bring in a mystical idea of a “social value,” which becomes objectified in the exchanges of the market. If this “social value” is to mean value to society, we seem to have a bit of apologetics and something which will not bear scientific scrutiny. Other terms which we should inspect carefully and either reject or define in such manner as to extinguish all germs of ethical valuation, are utility, subjective value, importance

to, cost, abstinence, earned and unearned. For the term "social," I should suggest such words as collective, group, class, or national.

Ethical ideals may affect economic activities and the results are a proper subject for positive economic analysis. Economic phenomena in turn may affect the ethical. The study of this aspect of "economic determinism" may take the economist beyond his boundaries, but we need not worry much about boundaries as long as we retain the methods of science and abstain from establishing norms of conduct.

A legitimate and inevitable influence of ethics on economics is in determining the choice of subjects for economic analysis. The increasing range of topics considered by modern students of ethics may point to matters not yet adequately investigated by economists. Take, for instance, the subject of bargaining. Does not individual bargaining involve certain ethical evils? Does collective bargaining stand on higher moral ground? Are there inevitable evils associated with collective bargaining also? In view of what ethical examination may reveal in regard to bargaining, economists may be moved to consider the question whether an economic organization of the human race is conceivable in which there is no bargaining, or in which its evils can be reduced to a minimum. Such an inquiry, though a venture into the economics of Utopia, would be highly desirable from the standpoint of fundamental economic thinking.

JACOB VINER.—The scrupulous concern lest they encroach upon the fields of other sciences, which economists often express in their theoretical discussions of the proper relations between economics and ethics, is, fortunately for the value of their work, not greatly in evidence in their actual research and teaching. Overlapping is inevitable in the social sciences in their present stage of development. Economics, although most outspoken as to its dangers, is no less enterprising than the allied sciences in extending the range of its activities extensively as well as intensively. Economics, it is true, has no direct concern with the analysis of the processes whereby men acquire a consciousness of moral obligation, and it is in this limited field that ethics finds the bulk of its subject matter. All the social sciences, however, take into account "ethical considerations" in the ordinary meaning of the term; they appraise and they judge as between conflicting programs and policies affecting human welfare. Economic welfare, as an integral and important part of general welfare, is the peculiar concern of economists; and to the extent that the final determination of the rightness or wrongness of given human activities rests upon economic considerations, the economist is in the position to guide opinion.

The fact that in the physical sciences ethical considerations play



no part has little bearing for the economist. "Scientific method" connotes different things in the field of the social sciences from those in the field of the physical sciences, for these latter are not value sciences, and are not immediately concerned with the evaluation of human behavior. The economist should not refrain from making his special contribution to decisions of public importance because of a doctrinaire adherence to an academic standard of scientific uninterestedness more appropriate—or less wasteful—in the physical laboratory than in the field of the social sciences. The whole problem now under discussion is virtually of little importance, however, because, regardless of how vociferous the economist may be in his methodological discussions of the need for "purification" of his science, in his practice he continues to strain every effort to make it socially useful.

Another point of view, not given its due attention in the discussions by economists of the proper relations between their science and ethics, may throw new light on the problem. The range of data, problems, and points of view of economic significance is too great to be subjected to complete and thorough analysis and investigation, and selection becomes necessary. The basis of selection, and subsequently the distribution of emphasis, must rest on some system of values derived from some concept as to the function, not of economics—for it may have many functions or may not require any functional justification for its existence—but of the economist. There suggest themselves at the moment three possible bases of selection of data and problems for consideration, arising in each case from a different conception of the role of the economist.

The economist may select his data for consideration wholly or mainly on the basis of their intellectual appeal, their challenge to his mental powers, and may distribute his limited energy in proportion to the degree of intellectual tickle the various problems afford. This basis of choice leads normally to a scholastic economics, largely mathematical in character, resting on a few general assumptions of questionable factual validity, finding its chief interest in the construction of new permutations and combinations of syllogistic legerdemain, and having little ascertainable relationship to actual human problems. Such is the non-ethical economics par excellence. It is by no means worthless. Its satisfaction of the sophisticated craving for mental exercise is itself a distinct contribution, although to a very limited group. Its incidental training in the technique of deductive logic becomes valuable when applied to problems of actual current significance. Its conclusions often afford starting points for the investigation of real problems. Even aside from all other considerations, it can find weighty justification for its existence in the historical fact that the long-run pragmatic value of scientific contributions to knowl-

edge is not adequately measured by the degree of immediate recognition of their practical significance.

Or the economist may choose his problems for investigation and select his material for instruction on the basis of their probable value in training the young idea how to do well for itself in industry, or, more generously, how to do well for industry as cogs in its machinery. Such is the logical basis for the selection of subject material and the distribution of emphasis in vocational economics. Here at least one ethical consideration appears to demand constant and careful attention: namely, that arising from the conflict between private economic interest and public economic welfare.

Finally, the economist may be guided in his selection of subject matter for investigation and in his distribution of emphasis primarily by frank and avowed consideration of their significance in the determination of public policy with respect to questions affecting general economic welfare. Such a basis of selection leads to what may be called without apology welfare economics, and it is in this field that general economics can render its chief service. If in the course of his investigations the economist finds it essential to give attention to ethical considerations, or to take into account the ethical aspects of human behavior, he need only remember that important problems of public policy may be none the less economic because they are ethical problems, to find sufficient justification for making appraisals and delivering judgment. That he must endeavor to free himself from personal or class bias it is gratuitous to mention. But he need not fear for the purity of the science. There can be no realistic "pure economics" until economic phases of human behavior and of man's environment are purified from contact with the remaining texture of reality.

WILLFORD I. KING.—While I am in full accord with the view expressed by other speakers that economics cannot easily be taught without at the same time setting forth certain ethical ideals, I do not think that this fact in any way justifies the belief that the science of economics is not as distinct from ethics as from other sciences. One cannot understand economics without a considerable knowledge of physics, chemistry, psychology, meteorology, and perhaps, as Professor Moore has suggested, astronomy. But economics is not psychology or meteorology any more than it is ethics. Economics is a mathematical science dealing with the relationship between a certain class of causes and their effects, and deals wholly with what is and not with what ought to be. Though the teacher, as a citizen, may well feel it his duty to stand for certain ethical principles, he ought always to realize that, in pursuing this course, he is passing outside the sphere of the economist.

Furthermore, I do not believe we should be too ready to condemn the economist who prefers to be an economist pure and simple, or even the one who has no desire to make any practical use of the principles which he works out. Specialization in pure science has its place in economics as much as in physics or in chemistry, and there seems little logic in demanding that the exceptionally skilful interpreter of principles should waste his energy in attempting to apply these principles, when men of weaker mental fibre may perform this task far better than he.

*General Discussion.* Presentation of the scheduled papers consumed most of the time available for the Round-Table meeting, but interest in the topic seemed to be lively and general, and a spirited discussion continued for half an hour after time for adjournment. Professor Carver of Harvard University and Dr. B. M. Anderson, Jr., briefly debated the question of cultural versus subsistence values, the former taking the position that the whole of ethics can be summed up in the physical and biological conditions of survival and increase. Mr. Broadus Mitchell of Johns Hopkins University rose to suggestion that economics can be a pure science. For the teacher at least, Mr. Mitchell contended, the human interest must dominate. He would be untrue to his trust if he did not speak out on such questions as child labor and the feudalism of the southern mill town. Dr. Wesley C. Mitchell closed the discussion in a conciliatory vein. He thought there was no pronounced difference in viewpoint among the speakers, but that all were in favor of the use of scientific methods but directed toward valid human ends.